



532

Main Office: 690 Eisenhower Road
Downtown: 506 South Fourth Street
Fort Leavenworth: 301 Kansas Avenue
Mailing Address: P.O. Box 3032, Ft. Leavenworth, KS 66027
913.651.6575, 800.633.4559, FAX 913.946.1406
<http://www.FrontierCCU.coop>, info@FrontierCCU.coop
Chartered 1954 by Fort Leavenworth Civilian Personnel

March 31, 2009

The Honorable Michael E. Fryzel
Chairman, National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable Rodney E. Hood
Vice Chairman, National Credit Union Administration

The Honorable Gigi Hyland
Board Member, National Credit Union Administration

Re: Comments on Advance Notice of Proposed Rulemaking for Part 704

Dear Chairman Fryzel, Vice Chairman Hood, and Board Member Hyland:

Frontier Community Credit Union is a \$99 million credit union, chartered in 1955 and located in Leavenworth, Kansas. We serve approximately 11,400 members who predominately live and work in northeast Kansas. In 2008, we had a return on assets of 0.71%; our net worth ratio was 11.93% and our loan/share ratio was 71.29%. These ratio figures were based on 2008 year end statistics. The \$99 million asset figure is with a \$10 million CU SIP investment made in February 2009. That has caused our net worth ratio to decrease to 10.53%.

What does my credit union use our corporate for?

We consider Kansas Corporate Credit Union as one of our credit union's most important strategic business partners. We believe that they provide essential financial services to all member credit unions. This is especially true for small to mid-size credit unions, which includes the majority of Kansas credit unions. Kansas Corporate offers affordable products and services which facilitate our ability to compete with much larger local financial institutions in our markets.

Frontier Community Credit Union uses Kansas Corporate for many services: settlement services (checks, ACH, VISA, member deposits, credit union checks, etc.); wires (both domestic and international); security safekeeping; investments (corporate, bank CDs and marketable securities); liquidity (line of credit for overnight and term borrowings); and ALM services (quarterly analysis, including 2-year NII simulation; rate shocks; NEV). Their staff has also facilitated almost all of our planning sessions. Although these services are available from other third-party vendors, the expense would be greater and we'd have far less trust in those vendors than we do with Kansas Corporate.

Comments on ANPR Questions

The corporates have been referred to as a network or system, but they are in fact an individual, democratically controlled financial institution. Our corporate has its own vision, strategic business plan and investment philosophy. They seem to make every effort to respond, either on their own or through partnerships, to address the needs of local credit unions. Those local needs would quite likely go unnoticed if there was no Kansas Corporate. It would likely require the resources of our credit union, or force us to capitalize a CUSO to meet that need.

Payment Systems

We believe separating payments systems services would increase the cost associated with providing the services, resulting in higher user fees, and it would create inefficiencies. In Kansas, there is already a separation of some payment services as the item processing, branch capture and some ACH processing is done by the Kansas Credit Union Association's Service Corporation while all of the settlement activity is handled by Kansas Corporate.

Liquidity & Liquidity Management

We believe providing liquidity to credit unions and managing credit union liquidity to fund daily settlement activity and earn a higher return on the our behalf is, and should be a core service of Kansas Corporate and the corporate system. Many credit unions in Kansas don't qualify for membership in the Federal Home Loan Bank and attempts to get a line of credit with other financial institutions have been met with higher fees just to get a line; higher rates if the line is accessed; and excessive collateralization requirements. In today's market, it would be almost impossible to open new lines of credit and the fees would most likely be even higher than before.

Field of Membership

Over the past several years in Kansas we have fought legislatively with our banking competitors over field of membership restrictions, and we believe strongly that national fields of membership are important in allowing us the opportunity to decide who we want to do business with. Each corporate can make their own business decision as to whether they want to actively pursue all credit unions or serve restricted areas based upon their own individual business plans. National fields of membership did not create this issue alone and would not have prevented the problems that required NCUA to take the actions they did.

Structure: Two-tiered System

We believe that the two-tier structure should be retained and believe it creates efficiencies. You don't see other sectors within the financial industry with a similar structure and we view that as a positive and something that others would like to have - not as a negative, out-of-date structure or business model that needs to change.

Corporate Capital

Corporate capital structure should be risk based, in line with other regulators which should become somewhat of a self-regulatory tool. At-risk capital investments by credit unions in corporates should count as capital that can be used by the corporate.

Permissible Investments

We believe corporate investment powers should be greater than that of natural person credit unions; otherwise their ability to add value to their membership declines. However, proper infrastructure must be in place to support the amount of investment risk each corporate chooses to take based upon their investment philosophy and risk tolerance. Those corporates that choose to take more risk should be subject to additional regulatory supervision and additional capital requirements in order to support the risks taken.

Corporate Governance

Corporate board structure should not change. A board of directors, democratically elected by the membership, is consistent with the cooperative charter, and it works. We are against an outside director category as we

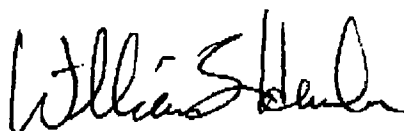
believe that board members who are also CEOs of member credit unions is part of what has made our corporate successful.

What do I need from my corporate in the future?

As a critical strategic business partner, we need our corporate to provide the services they do today, as well as being a catalyst for the development of future services that my credit union may need. Our corporate has been here for a long time, relationships and trust have been built and developed over that time and that is not easily replaced. Our biggest concern is that our corporate and the capital it has built over the years will be consolidated and we don't want to see that happen. There is no evidence, in the form of better rates or lower fees, that economies of scale benefiting credit unions has been achieved through past corporate consolidations. We do not want to be reliant on our banking counterparts for services that we currently receive from our corporate.

Thank you for the opportunity to provide comment.

Sincerely,

A handwritten signature in black ink, appearing to read "William E. Hauber". The signature is fluid and cursive, with the first name "William" being the most prominent part.

William E. Hauber

President & CEO